ISRAELI-ARAB SITUATION

- Since Gaza incident (28 Feb) and subsequent UN condemnation I. of Israel, Tel Aviv has complained in increasing volume both publicly and to Western diplomats that Imraeli government can no longer restrain itself in face insecurity of israeli-Egyptian frontier.
 - A. Latest form these complaints are statements from several sources, including Prime Minister Sharett, that Israeli sentiment growing to drive Egyptians -- and presumably Arab refugees -- from Gaza strip once and for all.
 - B. These complaints and threats accompanied by Israeli pleading for two forms diplomatic action from US:
 - 1. Requests for US pressure on Egypt to exercise control refugees and Egyptian troops along cease-fire line. Israel refuses, however, to accept most promising concrete proposals of UNTSO for reducing likelihood incidents.
 - 2. Requests that US give general guarantees Israel security, additional to those contained in US-UK-French declaration of 1950.
 - C. Sharett has assiduously fostered impression that, unless these requests met at least in part, he unable cope with Israeli "activists," particularly in view upcoming national elections (scheduled 26 July).

Israeli war against Egypt nonetheless unlikely. II.

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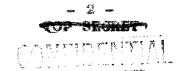
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Tel Aviv's foreign policy appears to be based
on close reasoning and fine calculation of risks and
effect of actions on world opinion.

- B. Survival Israel is basically economic problem under present conditions. Israel seems unlikely initiate war unless "back to wall" economically and may be uncertain of its ability to defeat united Arabs.
 - 1. Since foreign sid -- official and private -- at present continuing, there appears little reason for Israel to incur serious risk of war with Arabs and probable hold-up foreign aid which such war would entail.
- C. Israel also demonstrably able to assess both Egypt's current internal problems and its military weaknesses.
 - I. Israel recognizes that, despite beiligerent propaganda statements and inability fully control border troops, Egypt will lean over backwards to avoid actual war.
- party has good reason to adopt "tough" line together with "tough" actions -- e.g. reprisal raids -- for domestic public and foreign diplomatic consumption.
 - i. Line not only appeals to emotions of electorate, but might also elicit assurances from US or UK which could be cited as proof success Mapai foreign policy.



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- Fig. Present Israeli attitudes, therefore, are in large part calculated campaign to derive domestic political advantages for Ampai party and, if possible, secure diplomatic advantages from Sect.
 - A. Sharett's difficulties with "activists" is cabinet -especially Defense Minister Sen Gurion -- almost surely
 exaggerated and possibly completely phony.
 - B. Heal difficulties may be with conservative General Zionists who have close relations with American Jews and who may fear effects of present tough "line" on US.
 - ine, since disadvantages of such course on rational calculation appear outweigh gains.
 - i. Diplomatic reaction from US and UE governments would probably be mostile to Israel.
 - 2. Sorld opinion probably would be offended if Arab refugees incur further suffering as result Israeli action.

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ISRAELI-ARAB SITUATION

Background on current proposals for reducing tension

Gen Burns' four proposals for reducing tension and referred to in UN resolution of 30 March.

- 1. Joint patrols along sensitive sections of demarcation line.
- 2. Negotiation of a Local Commanders' Agreement.
- 3. Earbed wire obstacle long certain portions of the demarca-
- 4. Manning of all outposts and patrols by regular Egyptian and Israeli troops.

Egypt has accepted all four points with certain reservations—
opposes "direct" phone calls under Local Commanders' Agreement, and
barbed wire along demarcation line; agrees, however, to obstacles
inside Gaza territory.

Israel agrees to three of proposals, but rejects joint patrols —-fears isvasion of sovereignty if Egyptian patrols allowed inside Israel.

Egypt has also proposed withdrawal of troops on both sides an undetermined distance-possibly one kilometer-from the demarca-

on line.

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